

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2659-01  
Bill No.: SB 903  
Subject: Taxation and Revenue - Income; Tax Credits; Economic Development.  
Type: Original  
Date: January 13, 2004

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Department of Revenue (DOR)** do not anticipate a significant amount of additional credit claims will be received. However, if this assumption is incorrect, DOR will need one Tax Processing Tech I for every 4,000 additional credits claimed due to this legislation. DOR will monitor the credit and any FTE needed will be requested through the normal budgetary process.

DOR defers any revenue impact to DED or BAP.

Officials from **Greene County** assume no significant impact resulting from this proposal.

In response to a similar proposal from 2003, the **City of Kansas City** stated the legislation would have no fiscal impact.

Officials from **Christian County** and the **City of St. Louis** did not respond to our request for fiscal impact.

Officials from the **Department of Economic Development** state the proposed changes should

not fiscally impact their agency. The program is currently operating at the statutory cap (which

ASSUMPTION (continued)

is fixed) and these changes are not expected to either increase the amount of tax credits nor decrease demand in the program.

**Oversight** assumes the changes made to the Neighborhood Preservation tax credit program will not change the annual cap of \$16 million, or \$8 million each for the qualifying areas and the eligible areas. According to DED, in calendar years 2001 and 2002, the entire pot of \$8 million in credits for “qualifying” areas were authorized, but of the \$8 million for “eligible areas”, only \$4 million and \$7 million respectively were authorized. The fiscal note prepared for the enabling legislation for this program reflected a loss of state funds of \$0 to (\$16 million) annually starting in FY 2001. Therefore, while this proposal may result in an increased utilization of the Neighborhood Preservation tax credit program, Oversight assumes the cap on the program has not changed from the \$16 million reflected in the fiscal note for SB 20 in 1999, and therefore, assumes no additional fiscal impact from the changes in this program.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that qualify for the tax credit may be fiscally impacted by this legislation.

DESCRIPTION

This proposal makes various modifications relating to tax credits for distressed communities. With regard to the Rebuilding Communities and Neighborhood Preservation Act, the proposal:

DESCRIPTION (continued)

- (1) Expands the definition of "eligible residence" to include condominiums, entire apartment buildings, or single apartments within an apartment building, and includes Kansas City as a possible location for such residences;
- (2) Expands the definition of "new residence" to include separate adjacent single-family units regardless of whether or not these units are located in a distressed community, and includes Christian and Greene Counties as a possible location for new residences meeting the definition of such term under the current law;
- (3) Expands the definition of "project" to include the new construction, rehabilitation, or substantial rehabilitation of multiple residences, whether comprised of one structure containing multiple single-family residences or multiple individual structures, in addition to single residences;
- (4) Expands the definition of "qualifying residence" to include Kansas City;
- (5) Increases the value of the eligible residence tax credit from 15% of eligible costs to 20% of eligible costs, and increases the credit from \$25,000 over 10 years to \$40,000 over 10 years;
- (6) Increases the value of the qualifying residence tax credit from 15% of eligible costs to 20% of eligible costs up to \$40,000 over 10 years;
- (7) Modifies the definition of "multiple unit condominium" to enable properties which have received a certificate of existence of dangerous building to fit within the scope of the definition.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development  
Department of Revenue  
City of Kansas City  
Greene County

**NOT RESPONDING: Christian County, St. Louis City.**

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
January 13, 2004